

General Certificate of Secondary Education

A293

Business Studies

Unit A293: Production, Finance and the
External Business Environment

Specimen Paper

Time: 1 hour 30 minutes

Candidates answer on the question paper.

Additional materials:

Calculators may be used

Candidate
Forename

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Candidate
Surname

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Centre
Number

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Candidate
Number

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INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each answer carefully and make sure you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do not write in the bar codes.
- Do not write outside the box bordering each page.
- Write your answer to each question in the space provided.

INFORMATION FOR CANDIDATES

- The number of marks for each question is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is 90.
- Your Quality of Written Communication is assessed on the questions marked with an asterisk (*).

FOR EXAMINER'S USE

1	
2	
3	
TOTAL	

This document consists of **12** printed pages.

[Turn over

SPECIMEN

Answer **all** questions.

1

- (a) (i) **Report 4** from the Case Study states that there is increasing support for ethical business practices.

Identify **two** reasons why the production of goods in some parts of the world might not be ethical.

Reason 1

.....

Reason 2

..... [2]

- (ii) From the Case Study, identify **two** examples of how Holden's Cycles Ltd is involved in global trade.

Example 1

.....

Example 2

..... [2]

- (iii) Use each of the following terms **once** to complete each of the sentences below.

Ethical	Sustainable	Globalisation
---------	-------------	---------------

..... production is when a producer pays a fair price to its suppliers and to its workers.

An example of is when a product is made from parts produced in different parts of the world.

Production is when a producer uses resources that can be renewed, such as solar power. [3]

- (iv) From the Case Study, identify **one** example of sustainable production.

.....

..... [1]

- (v) Identify and explain **two** ways in which Holden's Cycles Ltd might benefit from the use of sustainable resources.

Way 1

.....

.....

.....

Way 2

.....

.....

..... [4]

- (vi) Identify and explain **two** reasons why the building of the wind farm has brought about social costs to the residents of Bowton.

Reason 1

.....

.....

.....

Reason 2

.....

.....

..... [4]

(b)

- (i) Using the information in **Fig. 1** from the Case Study, identify which producer had the largest percentage share of sales in 2008. Tick **one** box.

Producer	Tick one box
Holden's Cycles Ltd	
EU producers excluding Holden's Cycles Ltd	
Non-EU producers	

[1]

- (ii) Using the information in **Fig.1** from the Case Study, analyse what happened to the **value of the sales** for Holden's Cycles Ltd between 1998 and 2008.

.....

.....

.....

.....

.....

..... [3]

- (iii) Holden's Cycles Ltd sells bikes to customers in the USA.

In 2008, Holden's Cycles Ltd sold one model of bike to US customers for £100 per bike.

Calculate the price paid by the customer in US Dollars if £1 = 2 US Dollars. Show your working.

Answer:

[2]

- (iv) The forecast contained in Fig. 3 from the Case Study, shows that in 2010 the exchange rate may change to $\text{£}1 = 2.5$ US Dollars.

Identify and explain **one** way in which the change in the exchange rate between 2008 and 2010 may affect the sales of Holden's Cycles Ltd in the USA.

..... [2]

- (c) Discuss **one** way in which each of the following changes may affect the future demand for bikes produced by Holden's Cycles Ltd:

- (i)** an increase in the number of cycle paths being built;

[4]

- (ii)** an increase in the income of people living in the UK;

..... [4]

- (iii) an increase in the population of the UK.

.....

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.....

[4]

[Total: 36]

SPECIMEN

- [4]

- [4]

(b)* In **Report 2** from the Case Study, the Production Director says that he thinks that Holden's Cycles Ltd would benefit from building a new factory and equipping it with new production technology.

Evaluate the possible costs and benefits to Holden's Cycles Ltd of equipping a new factory with new production technology.

[9]

- (c)* The Finance Director said at the meeting that building and equipping a new factory could be financed either through issuing new shares or borrowing using a bank loan.

Recommend, giving reasons, how Holden's Cycles Ltd should finance the new factory.

Specimen

- (d) **Fig. 4 in Report 3** from the Case Study, shows a summary of the trading and profit and loss accounts for the Bowton and Mencaster cycle shops in 2008.

- (i) Calculate the **gross** profit margin for the **Bowton** cycle shop. Show your working.

Answer:

- (ii) Calculate the **net** profit margin for the **Bowton** cycle shop. Show your working.

Answer:

- (iii)** Using the information from **Fig. 4** in **Report 3**, discuss the financial performance of **both** the Mencaster and Bowton cycle shops. **[2]**

DECLINEMENT

[Total: 37]

3

- (a) Holden's Cycles Ltd operates in a competitive market.

Identify and explain **one** way in which competition between businesses which sell bikes may affect:

- (i) consumer choice;

.....

.....

.....

..... [2]

- (ii) prices charged;

.....

.....

.....

..... [2]

- (iii) profits.

.....

.....

.....

..... [2]

- (b) **Report 3** from the Case Study, states that interest rates are likely to rise in 2010.

Identify and explain **one** way in which a rise in UK interest rates might affect the demand for bikes in the UK.

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..... [2]

RECEIVED

[Total: 17]

Paper Total [90]

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Unit A293: Production, Finance and the External
Business Environment

Specimen Mark Scheme

The maximum mark for this paper is 90.

SPECIMEN

Question Number	Answer	Max Mark
1(a)(i)	<p>Report 4 from the Case Study states that there is increasing support for ethical business practices.</p> <p>Identify <u>two</u> reasons why the production of goods in some parts of the world might not be ethical.</p> <p>Target: To demonstrate knowledge of ethics</p> <p>Two marks for two correct identifications</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • child labour (1); • low wages (1); • dangerous conditions (1); • any other valid suggestion. 	[2]
1(a)(ii)	<p>From the Case Study, identify <u>two</u> examples of how Holden's Cycles Ltd is involved in global trade.</p> <p>Target: To apply knowledge and understanding of global trade</p> <p>One mark for each correct identification of a example up to a maximum of two examples.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • Holden's Cycles Ltd sells cycles abroad/EU/USA (1); • Holden's Cycles Ltd assembles cycles from parts made in different areas of the world (1); • Any other valid suggestion. 	[2]
1(a)(iii)	<p>Use each of the following terms <u>once</u> to complete each of the sentences below.</p> <p>Target: To demonstrate knowledge of relevant terminology</p> <p>For three marks:</p> <p>Ethical (1) production is when a producer pays a fair price to its suppliers and to its workers.</p> <p>An example of Globalisation (1) is when a product is made from parts produced in different parts of the world.</p> <p>Production is Sustainable (1) when a producer uses resources that can be renewed, such as solar power.</p>	[3]

Question Number	Answer	Max Mark
1(a)(iv)	<p>From the Case Study, identify <u>one</u> example of sustainable production.</p> <p>Target: To apply knowledge and understanding of sustainable production to the context.</p> <p>One mark for the correct identification of an example.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • use of a wind farm to generate electricity (1); • use of cycles as an alternative form of transport (1); • Any other valid suggestion. 	[1]
1(a)(v)	<p>Identify and explain <u>two</u> ways in which Holden's Cycles Ltd might benefit from the use of sustainable resources.</p> <p>Target: To apply knowledge of sustainable production</p> <p>Up to two marks for each explanation. One mark for each correct identification up to a maximum of two identifications plus up to a further one mark for each of two descriptions.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • increase sales; • reduce costs; • any other valid suggestion. <p>Exemplar: It might help sales (1) as there is an increasing demand for goods made using sustainable resources (1).</p> <p>It might reduce costs (1) if the resources used in production e.g. locally generated electricity are cheaper (1).</p>	[4]
1(a)(vi)	<p>Identify and explain <u>two</u> reasons why the building of the wind farm has brought about social costs to the residents of Bowton.</p> <p>Target: To apply knowledge and understanding of social costs to the context</p> <p>Up to two marks for each explanation. One mark for each correct identification up to a maximum of two identifications plus up to a further one mark for each of two descriptions.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • noise; • appearance; • any other valid suggestion. <p>Exemplar: Wind farms can be noisy (1) disturbing the peace for the people in the area (1).</p> <p>Wind farms look awful (1) and this spoils the appearance of the area for the local people (1).</p>	[4]

Question Number	Answer	Max Mark								
1(b)(i)	<p>Using the information in Fig. 1 from the Case Study, identify which producer had the largest percentage share of sales in 2008. Tick <u>one</u> box.</p> <p>Target: To analyse and interpret business data For one mark. Accept the first identification only.</p> <table><tr><td>Producer</td><td>TICK one box</td></tr><tr><td>Holden's Cycles Ltd</td><td></td></tr><tr><td>EU producers excluding Holden's Cycles Ltd</td><td></td></tr><tr><td>Non-EU producers</td><td>✓</td></tr></table>	Producer	TICK one box	Holden's Cycles Ltd		EU producers excluding Holden's Cycles Ltd		Non-EU producers	✓	[1]
Producer	TICK one box									
Holden's Cycles Ltd										
EU producers excluding Holden's Cycles Ltd										
Non-EU producers	✓									
1(b)(ii)	<p>Using the information in Fig.1 from the Case Study, analyse what happened to value of the sales for Holden's Cycles Ltd between 1998 and 2008.</p> <p>Target: To analyse and interpret business data Up to three marks for an explanation supported with evidence. Possible responses may include:</p> <ul style="list-style-type: none">the value of sales increases;£10m in 1998;£12m in 2008;any other valid suggestion. <p>Exemplar: The value of sales increases (1) from £10m (1) in 1998 to £12m in 2008 (1).</p>	[3]								
1(b)(iii)	<p>Holden's Cycles Ltd sells bikes to customers in the USA. In 2008, Holden's Cycles Ltd sold one model of bike to US customers for £100 per bike. Calculate the price paid by the customer in US Dollars if £1 = 2 US Dollars. Show your working.</p> <p>Target: To apply knowledge and understanding of exchange rate calculations to analyse the context Up to two marks. Two marks for a correct answer. Up to a maximum of one mark for indicating that the sterling price is multiplied by 2. £100 x 2 (1) = 200 US Dollars (1)</p>	[2]								

Question Number	Answer	Max Mark
1(b)(iv)	<p>The forecast contained in Fig. 3 from the Case Study, shows that in 2010 the exchange rate may change to £1 = 2.5 US Dollars. Identify and explain <u>one</u> way in which the change in the exchange rate between 2008 and 2010 may affect the sales of Holden's Cycles Ltd in the USA.</p> <p>Target: To apply knowledge and understanding of exchange rate calculations</p> <p>One mark for a correct identification up to a maximum of one identification plus up to a further one mark for explanation.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • sales may fall; • bikes now cost more in US Dollars; • price increases to 250 US Dollars; • any other valid suggestion. <p>Exemplar: Sales may fall (1) as the price of a bike sold to a US customer increases to 250 US Dollars (1).</p>	[2]
1(c)	<p>Discuss <u>one</u> way in which each of the following changes may affect the future demand for bikes produced by Holden's Cycles Ltd:</p> <p>Target: To apply knowledge and understanding of changes in the market environment in order to analyse and evaluate way(s) in which demand may be affected</p> <p>Level 2 (3-4 marks)</p> <p>Candidate analyses and evaluates the effect of the change on the demand for Holden's bikes. Evaluation required for max 4 marks</p> <p>Level 1 (1-2 marks)</p> <p>Candidate applies knowledge of the effect of the change on demand.</p> <p>0 marks – no response or no response worthy of credit.</p>	
1(c)(i)	<p>an increase in the number of cycle paths being built;</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • demand for bikes may increase; • people may choose to use bikes rather than other forms of transport; • people may feel safer using a bike; • any other valid suggestion. <p>Exemplar: This may increase the demand for bikes as it may become safer for people to use bikes (L1). The extent of the increase in the demand will depend on the number of cycle paths created/where they are/if they are in appropriate/safe places (L2).</p>	[4]

Question Number	Answer	Max Mark
1(c)(ii)	<p>an increase in the income of people living in the UK;</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • demand for bikes may increase; • demand for specialist or more expensive bikes may increase; • people may buy more than one bike; • demand for other forms of transport may increase hence demand falls; • any other valid suggestion. <p>Exemplar: People will have more disposable income so demand for cycles may rise (L1). This may mean increased sales for Holden's Cycles Ltd (L2). The extent of any increase will depend on how much incomes rise by and whether people prefer to spend their money on other forms of transport such as better cars (L2).</p>	[4]
1(c)(iii)	<p>an increase in the population of the UK.</p> <p>The increase in the population</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • demand for bikes may increase; • any other valid suggestion. <p>Exemplar: Sales may increase because there are now more potential customers/a bigger market (L1). This may mean increased sales for Holden's Cycles Ltd (L2). The increase in sales will depend upon the extent to which the population increases (L2).</p>	[4]
2(a)(i)	<p>Holden's Cycles Ltd uses both job and batch production. Recommend which method of production, job or batch, should be used when making bikes to order. Give reasons for your recommendation.</p> <p>Target: To apply knowledge and understanding of different methods of production to the context in order to analyse and evaluate when the use of job and/or batch production is appropriate.</p> <p>Level 3 (3-4 marks)</p> <p>Candidate analyses and evaluates, recommending a method of production appropriate to making bikes to order.</p> <p>Level 2 (2 marks)</p> <p>Candidate applies knowledge of method(s) of production.</p> <p>Level 1(1 mark)</p> <p>Candidate demonstrates knowledge of relevant method(s) of production.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • recommendation – job; • individual/bespoke design; • to customers specification; • any other valid suggestion. <p>0 marks – no response or no response worthy of credit.</p>	

Question Number	Answer	Max Mark
2(a)(i) cont	<p>Exemplar: Job production takes place when an individual item is made to order (L1). If a customer wants a bike made to an individual design this can best be achieved through job production (L2). Although usually more expensive, this means that the bike will be made so as to match the needs of an individual customer (L3). I would, therefore, recommend job production (L3).</p>	[4]
2(a)(ii)	<p>Recommend which method of production, job or batch, should be used when making a standard design mountain bike. Give reasons for your recommendation.</p> <p>Target: To apply knowledge and understanding of different methods of production to the context in order to analyse and evaluate when the use of job and/or batch production is appropriate.</p> <p>Level 3 (3-4 marks) Candidate analyses and evaluates, recommending a method of production appropriate to making a standard design mountain bike.</p> <p>Level 2 (2 marks) Candidate applies knowledge of method(s) of production.</p> <p>Level 1 (1 mark) Candidate demonstrates knowledge of relevant method(s) of production. 0 marks – no response or no response worthy of credit. Possible responses may include:</p> <ul style="list-style-type: none"> • recommendation – batch; • a number (batch) of one type of product is made; • production switched to produce a different type of product; • any other valid suggestion. <p>Exemplar: Batch production takes place when a number, or a batch, of one type of product is made before production is switched to produce a different type of product eg flavours of crisps (L1). Holden's Cycles Ltd can produce a batch of mountain bikes to a standard design (L2) more quickly and cheaply than using job production. I would, therefore, recommend batch production (L3).</p>	[4]
2(b)	<p>In Report 2 from the Case Study, the Production Director says that he thinks that Holden's Cycles Ltd would benefit from building a new factory and equipping it with new production technology. Evaluate the possible costs and benefits to Holden's Cycles Ltd of equipping a new factory with new production technology.</p> <p>Target: To apply knowledge and understanding of technology (and its introduction) to the context in order to analyse and evaluate the costs and benefits to Holden's Cycles Ltd of equipping a new factory with new production technology.</p>	

Question Number	Answer	Max Mark
2(b)* cont	<p>Level 3 (7-9 marks) Candidate analyses and evaluates the possible costs and benefits to Holden's Cycles Ltd of equipping a new factory with new production technology. Max 7 marks if only costs or benefits analysed. Evaluation required for max 9 marks. Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 (4-6 marks) Candidate applies knowledge of the possible costs and/or benefits of new technology. Simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 (1-3 mark) Candidate demonstrates knowledge of possible costs and/or benefits of new technology. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. 0 marks – no response or no response worthy of credit. Possible responses may include: Possible benefits</p> <ul style="list-style-type: none"> • lower costs (less workers employed, less waste, fewer mistakes); • increased output (machines can work 24 hours a day); • better quality (machines make less mistakes); • any other valid suggestion. <p>Possible costs</p> <ul style="list-style-type: none"> • redundancies (redundancy payments); • poor industrial relations (workers laid off, those still employed may fear for their jobs); • cost of the machines; • cost of raising finance (might mean increased debts and interest payments); • any other valid suggestion. <p>Evaluation may include statements that suggest that ...</p> <ul style="list-style-type: none"> • it depends on the number of workers laid off; • it depends on the costs saved; • technology will help Holden's Cycles Ltd to compete against the foreign competition; • costs will be lower enabling Holden's Cycles Ltd to sell its bikes more cheaply; • Holden's Cycles Ltd may enjoy increased profit; any other valid suggestion. 	

Question Number	Answer	Max Mark
2(b)* cont	<p>Exemplar: Introducing new production technology may lower a firm's production costs (L1). A business could employ less people in its factory if it introduced machinery for assembling a product (L2). For Holden's Cycles Ltd this means that costs may be reduced enabling Holden's to sell its bikes more cheaply (L3).</p> <p>Introducing new technology may be expensive (L1). A firm may need to raise finance to buy the machinery (L2). This means that Holden's Cycles Ltd may face increased interest payments if it were to borrow the money for the investment (L3). However, it depends on the number of workers laid off and the amount of money that Holden's Cycles Ltd will need to borrow (L3).</p>	[9]
2(c)*	<p>The Finance Director said at the meeting that a new factory could be financed either through issuing new shares or borrowing using a bank loan.</p> <p>Recommend which source of finance Holden's Cycles Ltd should use. Give reasons for your answer.</p> <p>Target: To apply knowledge and understanding of sources of finance to the context in order to analyse and evaluate of these methods of finance Holden's Cycles Ltd should use to finance a new factory.</p> <p>Level 3 (7-9 marks)</p> <p>Candidate analyses and evaluates sources of finance for building and equipping a new factory. Max 7 marks if only share issue or bank loan analysed. Evaluation required for max 9 marks.</p> <p>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 (4-6 marks)</p> <p>Candidate applies knowledge of sources of finance.</p> <p>Simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 (1-3 mark)</p> <p>Candidate demonstrates knowledge of sources of finance.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</p> <p>0 marks – no response or no response worthy of credit.</p>	

Question Number	Answer	Max Mark
2(c)* cont	<p>Possible responses may include:</p> <p>Arguments relating to a share issue</p> <ul style="list-style-type: none"> • cost of the issue; • no interest is paid; (1) • can raise large sums; • private limited company (shares can only be sold privately); • may find it difficult to raise enough capital; • no increase in debts; • owners may lose control of business; • any other valid suggestion. <p>Possible arguments relating to loans include:</p> <ul style="list-style-type: none"> • money raised quickly; • loans are good for large sums; • paid back over a long period of time (spread the cost); • interest needs to be paid; • any other valid suggestion. <p>Exemplar: A large amount can be borrowed in the form of a loan (L1). This can be paid back in instalments over a long period of time but will incur interest payments (L2). Holden's need to raise £8 million; this will mean higher costs for Holden's Cycles Ltd - Report 3 says interest rates are high and expected to remain high. It may make it more difficult to compete with foreign producers who have lower costs (L3).</p> <p>In the long run, issuing shares privately may prove cheaper than taking out a bank loan. The current owners, however, do run the risk of losing control of the business (L3). Despite this, and given the interest rate uncertainty, I would recommend that the finance is raised through issuing new shares.</p>	[9]

Question Number	Answer	Max Mark
2(d)(i)	<p>Fig. 4 in Report 3 from the Case Study, shows a summary of the trading and profit and loss accounts for the Bowton and Mencaster cycle shops in 2008.</p> <p>Calculate the <u>gross</u> profit margin for the <u>Bowton</u> cycle shop. Show your working.</p> <p>Target: To apply knowledge and understanding of financial calculations in order to analyse business data.</p> <p>Up to two marks. One mark for an appropriate method where the final answer is incorrect.</p> <p>140,000/400,000 x 100 (1) = 35% (2)</p>	[2]
2(d)(ii)	<p>Calculate the <u>net</u> profit margin for the <u>Bowton</u> cycle shop. Show your working.</p> <p>Target: To apply knowledge and understanding of financial calculations in order to analyse business data.</p> <p>Up to two marks. One mark for an appropriate method where the final answer is incorrect.</p> <p>60,000/400,000 x 100 (1) = 15% (2)</p>	[2]

Question Number	Answer	Max Mark
2(d)(iii)	<p>Using the information from Fig. 4 in Report 4, discuss the performance of <u>both</u> the Mencaster and Bowton cycle shops.</p> <p>Target: To apply knowledge and understanding of measuring and interpreting financial performance to the context in order to analyse and evaluate the performance of both the Mencaster and Bowton cycle shops.</p> <p>Level 3 (5-7 marks)</p> <p>Candidate analyses and evaluates the performance of the Mencaster cycle shop and/or the performance of the Bowton cycle shop. Max 5 marks if only one shop's performance analysed. Evaluation required for max 7 marks.</p> <p>Level 2 (3-4 marks)</p> <p>Candidate applies knowledge of measuring and interpreting financial performance.</p> <p>Level 1 (1-2 mark)</p> <p>Candidate demonstrates knowledge of measuring financial performance.</p> <p>0 marks – no response or no response worthy of credit.</p> <p>Possible response include:</p> <ul style="list-style-type: none"> • Mencaster shop has higher turnover, gross profit and net profit; • Mencaster - GPM 35%, NPM 10%; • Bowton - GPM 35%, NPM 15%; • Identical GPM; • Bowton better controls overheads. <p>Exemplar: Financial performance can be measured by looking at turnover and/or profit. The use of ratios can provide stakeholders with an even better insight (L1). The Mencaster shop has a higher turnover than the Bowton shop and it makes more profit (L2). By these measures Mencaster appears to perform better than Bowton (L3). However, the Mencaster shop may be much bigger than the Bowton shop (L3). They have identical GPMs but Bowton has a better NPM. This means that Bowton is better at controlling its overheads (L3). On this measure it appears Bowton is performing better than Mencaster (L3).</p>	[7]

Question Number	Answer	Max Mark
<p>3(a)</p> <p>3(a)(i)</p>	<p>Holden's Cycles Ltd operates in a competitive market.</p> <p>Identify and explain <u>one</u> way in which a competitive market for bikes may affect the following:</p> <p>Consumer choice;</p> <p>Target: To apply knowledge and understanding of the effects of competition on both buyers and sellers</p> <p>One mark for a correct identification up to a maximum of one identification plus up to a further one mark for description.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • greater choice; • a greater number of competing sellers; • more choice and/or variety; • any other valid suggestion. <p>Exemplar: The choice will be greater (1) because there are a number of competing sellers (1) and/or each one will want to make their products different from other producers (1).</p>	<p>[2]</p>
<p>3(a)(ii)</p>	<p>prices charged;</p> <p>One mark for a correct identification up to a maximum of one identification plus up to a further one mark for description</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • prices lower; • a greater number of competing sellers; • any other valid suggestion. <p>Exemplar: Prices may be lower (1) because customers will buy from the seller with the lowest price (1) unless the product is significantly different/better (1).</p>	<p>[2]</p>
<p>3(a)(iii)</p>	<p>profits.</p> <p>One mark for a correct identification up to a maximum of one identification plus up to a further one mark for description</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • lower profits; • lower margins; • any other valid suggestion. <p>Exemplar: Profits may be lower (1) because prices will be lower (1) reducing the profit margin on products/the difference between revenue and costs (1).</p>	<p>[2]</p>

Question Number	Answer	Max Mark
3(b)	<p>Report 3 from the Case Study, states that interest rates are likely to rise in 2010.</p> <p>Identify and explain <u>one</u> way in which a rise in UK interest rates might affect the demand for bikes in the UK.</p> <p>Target: To apply knowledge and understanding of interest rate changes</p> <p>One mark for a correct identification up to a maximum of one identification plus up to a further one mark for description.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • consumer demand may fall; • costs of personal loans/credit card borrowing may increase; • mortgage repayments may increase; • any other valid suggestion. <p>Exemplar: Demand may fall (1) because the cost of buying the cycles on credit will rise (1) and/or the disposable income of many people with mortgages/loans will fall (1) because they will have to pay more interest on these mortgages/loans (1).</p>	[2]
3(c)*	<p>Using information from the Case Study, and any other information which might be relevant, recommend whether or not production should be moved to China. Give reasons for your recommendations.</p> <p>Target: To analyse and evaluate strategies to deal with change in the external business environment within the context</p> <p>Level 3 (7 – 9 marks)</p> <p>The candidate analyses and evaluates reasons for and/or against moving production to China (or indicates additional considerations that need to be taken into account to make a decision). Max 7 marks if only one reason analysed. Evaluation and analysis of at least two reasons required for max 9 marks.</p> <p>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 (4 – 6 marks)</p> <p>Candidate demonstrates understanding of reasons for and/or against moving production to China. Max 4 for demonstrating understanding of one reason.</p> <p>Simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 (1 – 3 marks)</p> <p>Candidate identifies reasons for and/or against moving production to China. Max 1 for identification of one reason.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</p>	

Question Number	Answer	Max Mark
	<p>0 marks – no response or no response worthy of credit.</p> <p>Possible responses may include:</p> <p>Arguments for moving to China</p> <ul style="list-style-type: none"> • lower costs of production in China; • costs increasing in the UK; • labour shortages in the UK; • interest rate increase forecast in the UK; • unfavourable exchange rate changes forecast in the UK (making exports expensive); • the need for a new factory in the UK; • any other valid suggestion. <p>Arguments for not moving to China/staying in the UK</p> <ul style="list-style-type: none"> • ethical concerns (e.g. possible conditions faced by workers); • impact on domestic reputation; • stronger Yuan (making exports from China more expensive); • loss of benefits associated with manufacturing with the EU; • issues of skilled labour/labour shortages; • increase mechanisation may help reduce UK production costs. <p>Additional consideration/other information</p> <ul style="list-style-type: none"> • accuracy/usefulness of the data (actual costs of production rather than percentage changes/do the figures relate to comparable bikes?/would the production of quality bikes in China change the figures?); • can China produce the high quality bikes? (skilled labour, technology); • impact of new technologies; • costs of building new factory; • any other valid suggestion. <p>Exemplar: Costs of production may be cheaper abroad than in the UK (L1). Holden's face possible increases in the UK's rate of interest and this may further impact upon costs (L2) and this may impact upon the price that Holden's have to charge for a bike (L3). The lower costs of production, therefore, make relocating to China an attractive option. They should, however, consider the costs of moving production to China and weigh up these set up costs against the lower costs of production (L3). Holden's should consider the workers making the bikes (L1). Holden's already has a skilled workforce in the UK. However, employing workers in China may be cheaper (L2). Holden's may have difficulty hiring workers with the right skills in China and this might impact on the quality of the bikes (L3). The skilled UK workforce makes staying in the UK an attractive option. They should, however, consider the merits of the skilled UK workforce and the concerns about quality as against the cheaper costs of production in China (L3).</p>	<p>[9]</p>
	<p>Paper Total</p>	<p>[90]</p>

Assessment Objectives Grid (includes QWC)

Question	AO1	AO2	AO3	Total
1(a)(i)	2			2
1(a)(ii)		2		2
1(a)(iii)	3			3
1(a)(iv)		1		1
1(a)(v)	2	2		4
1(a)(vi)	2	2		4
1(b)(i)			1	1
1(b)(ii)			3	3
1(b)(iii)			2	2
1(b)(iv)	1	1		2
1(c)(i)		2	2	4
1(c)(ii)		2	2	4
1(c)(iii)		2	2	4
2(a)(i)	1	1	2	4
2(a)(ii)	1	1	2	4
2(b)*	3	3	3	9
2(c)*	3	3	3	9
2(d)(i)			2	2
2(d)(ii)			2	2
2(d)(iii)	2	2	3	7
3(a)(i)	1	1		2
3(a)(ii)	1	1		2
3(a)(iii)	1	1		2
3(b)	1	1		2
3(c)*	3	3	3	9
Totals	27	31	32	90